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Mr. Elmer B. Staats
 Assistant Director
 Bureau of the Budget
 Washington, D. C.

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My dear Mr. Staats:

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This Agency has examined the Bureau of the Budget's survey of Foreign Service Economic Reporting together with the Draft Executive Order which you forwarded to me on 24 January 1951.

The recommendations of this survey appear basically sound and their implementation should bring about a major improvement in foreign economic reporting. Every effort should be made to effect this improvement at the earliest possible date.

The Central Intelligence Agency, in compliance with an NSC Action and with the help of other agencies, is preparing a statement of national security data requirements in the economic field, as proposed in the survey. It is planned, once this statement has been issued, to keep it up to date through necessary revisions.

With respect to the draft Executive Order, this Agency proposes two modifications which it believes desirable to include in the formal order so as to give stronger backing to the State Department in dealing with the non-intelligence agencies and so as to take account of the statutory responsibilities of this Agency with respect to intelligence relating to the national security.

(Para. 2b) at the end, add: "provided that priority shall be given to those requests for information of critical importance to the national security."

(Para. 3, line 1) change to read: "The Department of State, recognizing the responsibility of the Director of Central Intelligence with respect to information relating to the national security, may assign priorities. . ."

Much of the effectiveness of the proposed system will depend on the relationships which the State Department and the Central Intelligence Agency will have to work out between them and with other agencies.

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It is important in this regard, as your survey indicates, that the proposed Office of Foreign Reports in the State Department be "located in an organization unit not a competitor for data with other agencies" and that collection requests be placed directly with it.

Finally, for the satisfactory operation of the proposed system arrangements must be established which will ensure that requested data is not already available in Washington. The Central Intelligence Agency is ready to examine this problem in consultation with other interested agencies.

Sincerely yours,

WALTER B. SMITH
Director

GAD/wpc
O/IC - 12 February 1951

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